

**MINERAL  
RESOURCES  
INTERNATIONAL  
LIMITED**

**ANNUAL  
REPORT  
1971**

# **MINERAL RESOURCES INTERNATIONAL LIMITED**

## **ANNUAL REPORT 1971**

### **OFFICERS**

C. FRANKLIN AGAR  
President, Calgary, Alberta

JACK R. McBRAYER  
Vice-President, Longview, Texas

VICTOR F. BURSTALL  
Secretary, Calgary, Alberta

### **DIRECTORS**

C. FRANKLIN AGAR  
Calgary, Alberta

JOHN H. BROWN  
Toronto, Ontario

VICTOR F. BURSTALL  
Calgary, Alberta

WILLIAM A. CLARKE  
Oakville, Ontario

JOHN S. GAIRDNER  
Oakville, Ontario

J. HOWARD HAWKE  
Toronto, Ontario

JACK R. McBRAYER  
Longview, Texas

V. V. JACOMINI  
Houston, Texas

### **AUDITORS**

TOUCHE ROSS & CO.  
Calgary, Alberta

### **TRANSFER AGENT AND REGISTRAR**

MONTREAL TRUST COMPANY  
Toronto, Montreal, Winnipeg  
Calgary, and Vancouver

### **HEAD OFFICE**

P.O. Box 48  
Toronto-Dominion Centre  
Toronto 111, Ontario

### **OPERATING OFFICE**

One Calgary Place, Ground Floor,  
330 - 5th Avenue S.W.  
Calgary, Alberta, Canada  
Telephone: 403/263-7930



# REPORT OF THE DIRECTORS

The Directors present the 1971 Annual Report of the Company, including audited financial statements for the year ended December 31, 1971, and a review of developments during the year 1971 and during the subsequent period to date. The Company continues to participate in oil and gas and mineral exploration and development in several geographic areas. A description of the interests and activities of the Company follow:

## CANADIAN OPERATIONS

### Baymag Mines Co. Limited

Your Company holds 324,480 common shares of Baymag Mines Co. Limited equivalent to approximately a 10.7% interest in this company. "Baymag" is a private Alberta company which owns 344 claims covering a number of out-cropping magnesite deposits in the Radium Hot Springs area of British Columbia.

During 1970, some 3,900 feet of diamond coring was carried out on one deposit on the Eon Mountain portion of the property. On the basis of this coring and surface sampling, Baymag's consultant estimated the proven and probable reserves of one deposit at 26,600,000 tons grading 94.66% MgO before beneficiation. The capital cost of developing the property and constructing a plant capable of producing high-grade dead burned magnesite was estimated as follows:

75,000 Ton Per Year Single Kiln	— \$13,600,000
150,000 Ton Per Year Double Kiln	— \$20,600,000
225,000 Ton Per Year Triple Kiln	— \$27,800,000

During 1971, approximately 4,100 feet of infill and outstep diamond coring was completed on the deposit being explored and bulk surface samples were taken. An outstep core hole C-22, some 350 feet north of previous drilling,

penetrated 468 feet of magnesite from surface with an average grade calculated after beneficiation of 97.43% MgO. The 1971 program indicates that the Eon Mountain deposit, which is still open to further reserve increases, is a substantial deposit of a chemically high grade of magnesite.

In January 1972, Baymag entered into agreements with Canadian Exploration Limited ("CANEX") a subsidiary of Placer Development Limited, whereby CANEX purchased 10,000 shares of Baymag at \$3.00 per share and 10% of the property for a payment of \$320,000 into the treasury of Baymag. CANEX undertook to carry out a minimum \$250,000 program of further exploration and development work on the property which is to be completed prior to November 4, 1972. At that time CANEX will have the right to terminate the agreement and return the property to Baymag or commit to spend an additional minimum \$250,000 on the property before August 19, 1973, or undertake to place the property in production before January 15, 1975.

If CANEX elects to put the property into production, the first \$2,970,000 expended by CANEX (including the above expenditures) in putting the property into production will be for CANEX's own account. The balance of the capital costs of development of the first 220,000 tons of dead burned magnesite production may be by loans guaranteed or provided by CANEX. By putting the property into production in this fashion CANEX will earn an additional 41% in the property leaving Baymag with a final 49% working interest.

### Saskatchewan Helium Properties

The Company continues to follow developments affecting marketing of helium and is seeking markets which would justify the



financing required to construct a helium extraction plant to produce helium from its proven inert gas reserves in Southwestern Saskatchewan.

As a cost reducing measure, the Company has surrendered an additional 55,000 acres of helium exploration leases. A 5,000 acre portion of helium lease PH-1 originally obtained under farmout from Texaco Exploration, has been retained. The retained lease area covers the Company's 70 billion cubic feet of raw gas reserves and its two capped gas wells.

### **Duncan Lake Prospect**

The Company has entered into an option agreement pertaining to a 21 claim group east of Duncan Lake in southeastern British Columbia. The Company's agreement with the claim owners provides for a two year, three stage work program whereby the Company may earn and acquire an interest in the claim block. The Company may elect to take assignment of a 10% interest after completion of Stage 2. In the event the Company completes all three phases of the work program at an estimated cost of \$30,000, it may elect to take assignment of a 40% interest or acquire a 100% working interest subject to a 4% net smelter royalty for a payment of either \$15,000 or 30,000 common shares of the Company to the claim owners at their option.

The Company completed Phase 1 of the option agreement program consisting of geological mapping. No significant areas of mineralization were encountered but structural features were mapped and trace quantities of fluorite, red fluorescent calcite, azurite, malachite and galena were identified. The Company's consultant has recommended a follow up ground magnetometer survey.

### **UNITED STATES OIL, GAS AND HELIUM OPERATIONS**

During 1971 the Company's three U.S. subsidiaries were amalgamated into International Helium, Inc. operating out of Longview, Texas.

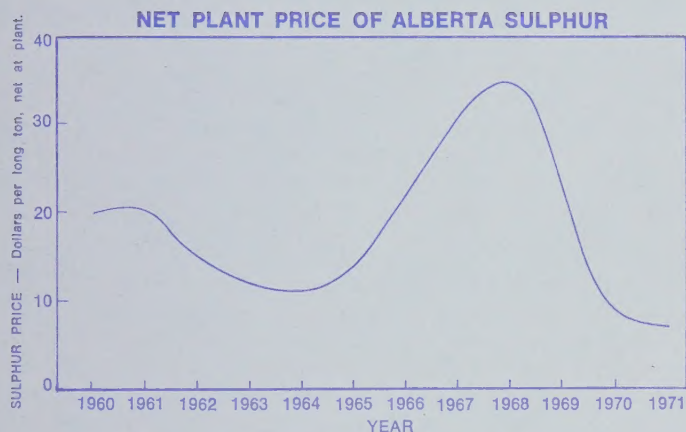
International Helium owns interests in eighteen oil and gas fields in the U.S. and operates producing properties for other operators. In addition, International Helium receives some \$25,000 per year from a net profits interest in production from the Pinta Dome Helium Plant operated by Kerr-McGee Corporation in Arizona.

### **LATIN AMERICAN SULPHUR INTEREST**

Development of the Company's sulphur interests in Mexico and to a degree, those in Guatemala, have been restricted by the world wide sulphur surplus and the consequent depressed sulphur prices that prevail. A significant factor contributing to the current sulphur surplus has been the rapid development of sour gas reserves in Canada stimulated by increased demands for natural gas in North America. To provide natural gas of acceptable quality standards, the hydrogen sulphide component of the raw gas is removed which results in production of by-product elemental sulphur. As a by-product, this sulphur is cheaper to produce than Frasch process derived production and despite the transportation cost disadvantage applicable to the inland located Canadian sulphur, it can and does compete with Mexican and U.S. Gulf Coast Frasch producers for export markets. By 1970, Canadian production accounted for 25% of the elemental sulphur produced in the Western World.

The influence of over-supply on the average net plant prices of Alberta produced sulphur was shown in a report by The National Research Council of Canada in October, 1971 as follows:





Early in 1971, plans were announced to implement a sulphur stock piling program in Alberta as part of an overall program planned with key sulphur producers in Poland, France, Mexico and the U.S. The aim of the program was a more orderly approach to marketing with a portion of the sulphur extracted from natural gas production in Alberta to be temporarily stock piled.

Some firming of Frasch produced sulphur prices began after mid 1971 on the U.S. Gulf Coast and in Mexico and it appeared that world sulphur prices had progressed past their low point. However, late in 1971 the Alberta Government announced that it did not intend to proceed with its sulphur stock piling plan and it is still uncertain whether or not sulphur prices have bottomed out.

## Guatemala

The Company continues to hold its 50% interest in Azufres de Guatemala Limitada which has an exploitation license covering a 500,000 ton surface sulphur deposit. This sulphur deposit, grading about 65% elemental sulphur, occurs as a sediment in Lake Ixpaco located some 78 kilometres southeast of Guatemala City.

In 1971, Azufres entered into a joint venture development agreement with Mr. W. C. Ralston which was subsequently assigned to Ixpaco Industries Limited. Under terms of the agreement, Ixpaco Industries is purchasing the surface plant facilities and equipment at Lake Ixpaco for \$252,000 in term payments of \$10,000 per month the first of which was received on May 15, 1972. Ixpaco Industries has agreed to develop the Ixpaco deposit at its cost for the production of sulphur at an annual rate of 35,000 tons per year by May 15, 1973. Azufres is entitled to receive a royalty of \$1.00 per ton of sulphur on a take or pay basis of \$35,000 a year until Ixpaco Industries achieves payout of its capital cost. Thereafter, the profits are to be divided equally between Ixpaco Industries and Azufres.

On the basis of a feasibility study by Chemical Construction Company of New York, Ixpaco Industries is examining the economic merit of using sulphur from the Ixpaco project as the raw material source for

- (a) a sulphuric acid plant capable of producing 100,000 tons of 98%  $H_2SO_4$  annually,
- (b) a phosphoric acid plant capable of producing 50,000 tons of phosphoric acid annually, and
- (c) dry or wet mixing fertilizer plants.

These plants would be designed to market their products in the Central American common market block of Guatemala, Honduras, El Salvador, Costa Rica and Panama. As socially useful projects utilizing indigenous raw materials, the projects should enjoy tariff protection and the financial support of Bancocentroamericano. Discussions are underway for such financing with Bancocentroamericano.

In the event that Ixpaco Industries proceed with the construction of the acid and fertilizer plants, Azufres will be entitled to royalties of



\$2.00 per ton of sulphuric acid and \$1.00 per ton of phosphoric acid, or, 15% of the net profits of the sulphuric acid plant and the phosphoric acid plant and the dry or wet mixing fertilizer plants.

During 1971 extensive staff reductions were carried out by Azufres and some \$35,000 worth of equipment was sold to finance the operating costs of the Company.

## Mexico

The Company continues to hold its 34% interest in Azufres Nacionales Mexicanos, S.A. de C.V. (ANAMEX) which owns sulphur leases in the State of Veracruz, Mexico. ANAMEX's Hornillas lease, which has a drill proven reserve of approximately 9,500,000 tons of sulphur, is located on the east flank of the Texistepec Salt Dome. CEDI, a subsidiary of Texas Gulf Sulphur Company, has a lease covering a contiguous portion of the structure to the west covering drill proven reserves in excess of 15 million tons of sulphur. CEDI's Frasch type sulphur recovery plant with a reported capacity of 750,000 tons per year went into production in 1971.

For the time being, with the concurrence of the Mexican Mining Department which is the 66% shareholder in ANAMEX, the Hornillas sulphur property is being maintained at minimum cost. The development or sale of your Company's sulphur property in Mexico will depend on the growth of the Mexican domestic market and the degree to which costs allow Mexican Frasch produced sulphur to economically compete in the export markets.

## FINANCIAL AND CORPORATE PLANNING

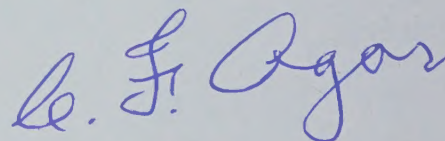
With the reorganization and cost cutting steps that have been taken, the Company's sulphur and helium properties can be retained

at minimum costs pending development of markets. As will be noted in this year's financial statements, it was decided to substantially write down the investments in these properties to bring their book value into line with estimates of their current value. No further costs to the Company are anticipated regarding its holdings in the Baymag magnesite project.

As a result of the escalating energy demand in North America and its effects on product values, there are new investment opportunities to be pursued in the oil and gas industry. Similar conditions exist in sectors of the mineral industry. Accordingly, negotiations are underway toward acquiring interests in new properties and the financing required for their exploration.

June 1, 1972

On Behalf of the Board of Directors



C. F. Agar  
President



# TOUCHE ROSS & CO.

600-6TH AVENUE, S.W.  
CALGARY 1, ALBERTA  
(403) 263-4800

## AUDITORS' REPORT

The Shareholders  
Mineral Resources International Limited

We have examined the consolidated balance sheet of Mineral Resources International Limited and its subsidiary as at December 31, 1971 and the consolidated statements of income and deficit, and source and application of funds for the year then ended. For Mineral Resources International Limited, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the subsidiary for which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the report of the other auditors.

The ultimate realization on the company's investments in Mexico, Guatemala and Saskatchewan is dependent upon commencement of commercial production on the related sulphur mining concessions and helium properties which in turn is subject to the outcome of the matters referred to in Notes 3 and 4. The manner in which these matters will be resolved and the related effect on the financial position of the company cannot be determined at this time.

In our opinion, subject to the uncertainty as to the ultimate realization on the company's investments, as referred to above, these financial statements present fairly the consolidated financial position of the companies as at December 31, 1971 and the results of their operations and source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Touche Ross + Co*

Chartered Accountants.

Calgary, Alberta  
March 15, 1972

**MINERAL  
RESOURCES  
INTERNATIONAL  
LIMITED**

**and its Subsidiary Company**

(Incorporated under the Laws of the Province of Ontario)

**CONSOLIDATED BALANCE SHEET**

**at December 31, 1971**

**ASSETS**

	<u>1971</u>	<u>1970</u>
<b>CURRENT</b>		
Cash . . . . .	\$ 32,126	\$ 57,131
Accounts receivable . . . . .	25,209	26,213
Prepaid expenses . . . . .	2,424	2,948
	<u>59,759</u>	<u>86,292</u>
<b>INVESTMENTS</b>		
Baymag Mines Co. Limited, at cost (Note 3) . . . . .	133,311	49,000
Mexico and Guatemala (Notes 2 & 3) . . . . .	2,201,802	13,543,527
Other mining properties, at cost (Note 3) . . . . .	2,669	—
	<u>2,337,782</u>	<u>13,592,527</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Interest in leases, well costs and equipment net of accumulated depletion and depreciation of \$885,065 and write down of \$274,510 (Note 2) . . . . .	339,555	677,446
HELIUM LEASES (Notes 2 & 4) . . . . .	1,494,067	3,069,696
	<u>\$4,231,163</u>	<u>\$17,425,961</u>



**LIABILITIES**

	<u>1971</u>	<u>1970</u>
CURRENT		
Accounts payable and accrued liabilities . . . . .	\$ 150,497	\$ 97,651
Bank loan (Note 9) . . . . .	61,810	—
	<u>212,307</u>	<u>97,651</u>
LOANS FROM SHAREHOLDERS (Note 5) . . . . .	332,292	234,586
MINORITY SHAREHOLDERS' INTEREST (Note 1) . . . . .	—	16,079
Total liabilities . . . . .	<u>544,599</u>	<u>348,316</u>

**SHAREHOLDERS' EQUITY**

CAPITAL STOCK (Note 6)		
Authorized 6,000,000 shares without par value		
Issued and fully paid - 3,040,991 shares . . . . .	22,730,024	22,730,024
DEFICIT . . . . .	(19,043,460)	(5,652,379)
	<u>3,686,564</u>	<u>17,077,645</u>

Signed on behalf of the Board

**C. F. AGAR**, Director

**W. A. CLARKE**, Director

<u>\$ 4,231,163</u>	<u>\$17,425,961</u>
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# MINERAL RESOURCES INTERNATIONAL LIMITED

and its Subsidiary Company

(Incorporated under the Laws of the Province of Ontario)

## CONSOLIDATED STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
Oil and gas sales . . . . .	\$ 117,531	\$ 153,929
Expenses		
Production expense . . . . .	21,865	47,257
General overhead . . . . .	43,316	49,097
Interest, net . . . . .	58	9,946
	65,239	106,300
Income from production before the undernoted items . . . . .	52,292	47,629
Depletion and depreciation . . . . .	70,874	81,168
Amortization of long-term loan costs . . . . .	—	19,538
Provision for minority shareholders' interest . . . . .	(8,085)	(14,381)
Loss for the year before extraordinary items . . . . .	10,497	38,696
Extraordinary items		
Write down of development expenditures and leases (Note 2) . . . . .	13,379,566	145,917
Gain on disposal of fixed assets . . . . .	—	(280,369)
Loss on properties abandoned and disposal of investments . . . . .	—	134,179
(Gain) loss on foreign exchange . . . . .	1,018	(11,320)
	13,380,584	(11,593)
NET LOSS FOR THE YEAR . . . . .	13,391,018	27,103
Deficit January 1 . . . . .	5,652,379	5,753,276
Contributed surplus written off upon reorganization . . . . .	—	(128,000)
Deficit December 31 . . . . .	\$19,043,460	\$5,652,379
Loss per share		
Loss before extraordinary items . . . . .	\$ .003	\$ .013
Net loss for the year . . . . .	\$4.40	\$ .009



# MINERAL RESOURCES INTERNATIONAL LIMITED

and its Subsidiary Company

(Incorporated under the Laws of the Province of Ontario)

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1971

	<u>1971</u>	<u>1970</u>
<b>Source of Funds</b>		
Income from production . . . . .	\$ 52,292	\$ 47,629
Loans from shareholders converted to long-term debt . . . . .	332,292	—
Foreign exchange gain (loss) . . . . .	(1,018)	11,320
Capital stock issued on conversion of debt . . . . .	—	10,262,164
Proceeds on sale of equipment and leases . . . . .	—	401,928
	<u>\$383,566</u>	<u>\$10,723,041</u>
<b>Application of Funds</b>		
Advances to Mexican and Guatemalan affiliates . . . . .	\$ 62,669	\$ 238,736
Investment in Baymag Mines Co. Limited . . . . .	84,311	49,000
Acquisition of other mining properties . . . . .	2,669	—
Purchase of equipment . . . . .	11,809	—
Eliminate minority interest . . . . .	3,709	—
Deferred development and other expenditures, net of charges not requiring use of funds . . . . .	125,002	408,720
Reduction of long-term debt . . . . .	—	219,097
Long-term debt converted to capital stock . . . . .	—	4,101,000
To working capital . . . . .	93,397	5,706,488
	<u>\$383,566</u>	<u>\$10,723,041</u>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1971

## 1. PRINCIPLES OF CONSOLIDATION AND ACCOUNTING

The consolidated statements include the accounts of the company and its subsidiary, International Helium Inc. (collectively called for purposes of these notes "the company"). The former subsidiaries, Nevada Oil & Helium Co. and Apache Oil & Helium Corporation, were liquidated on or before December 31, 1971 and the assets and liabilities distributed to International Helium, Inc., and to the minority shareholders.

## 2. EXTRAORDINARY WRITEDOWNS

Due to market conditions prevailing in the sulphur and helium industries there is uncertainty surrounding the ultimate realization on investments in the Guatemalan and Mexican sulphur concessions and the company's helium properties in Saskatchewan. Management has reviewed the book value of these assets, represented by the cumulative costs of acquisition and development, and has decided to write these investments down. The sulphur properties have been written down to estimates of current value and in the case of the Saskatchewan helium property, deferred administration and other costs have been written off. The property is carried on the company's balance sheet at the cost of the leases and the development expenses which have been incurred. In connection with an evaluation of the Arizona helium property which was required as a basis for the amalgamation of the U.S. subsidiary companies, an estimate of the value of future production was used which has resulted in a \$274,510 write-down of the book value of the property.

## 3. INVESTMENTS

### (a) Baymag Mines Co. Limited

The company acquired 509,300 shares of Brussilof Resources Limited as follows:

- By payments of \$200,215 cash of which \$128,714 has been paid in 1972
- In addition the company is to transfer and assign to one of the vendors 142,850 fully-paid and non-assessable common shares of the company within 30 days of obtaining approval by the Toronto Stock Exchange. Application has been made for this approval.

On November 25, 1971 the shareholders of Brussilof Resources Limited and Baykal Minerals Ltd. approved an amalgamation of those companies to form Baymag Mines Co. Limited. The company's interest in Brussilof was converted to 324,480 shares (10.7%) of Baymag Mines Co. Limited. As a condition of the amalgamation, the company assumed its proportionate share, totalling \$61,810, of the bank loan of Brussilof Resources Limited.

### (b) Mexico

The company owns 34% of Azufres Nacionales Mexicanos, S.A. de C.V. which was incorporated to develop sulphur concessions in Mexico.

In the opinion of management which is based on engineering feasibility reports, the concessions have sufficient recoverable reserves to warrant commercial development. However, commencement of development has been suspended pending improvement of world sulphur markets. The property is being carried on a maintenance basis at minimum cost.

### (c) Guatemala

The company owns 50% of Azufres de Guatemala Limitada which was incorporated to develop a sulphur concession in Guatemala. The



concession of this affiliate, according to a feasibility study, warrants commercial development and in this regard in 1971 the affiliate and the company entered into an agreement under which the surface facilities and equipment were sold on instalment terms. The purchaser undertook to place the property in production at his cost on a minimum take-or-pay basis with the company to share in the profits of production after the recovery of capital costs. On the basis of the independent feasibility study, the purchaser contemplates constructing a fertilizer plant which will utilize the sulphur produced from the concession. In this event, the affiliate will have the right to either royalties on the products or a carried 15% net profits interest in the project.

Under present Guatemalan exchange control regulations, payments out of profits are restricted to 15% per annum of the total investment for five years within any decade and 5% per annum for an additional five year period.

#### **(d) Other mining properties**

During the year the company entered into a staged option agreement to acquire a full or partial working interest in a lead-zinc prospect near Duncan Lake, British Columbia. The percentage ownership will be determined by the extent to which the company carries out a program of exploration and development (estimated to cost \$30,000) by August 15, 1973. If the company completes the program, it has the right to acquire full title to the property, subject to a 4% net smelter royalty, for a consideration of (i) \$15,000 cash, or (ii) 30,000 shares of the company. The choice of the alternatives (i) or (ii) is at the election of the vendors.

## **4. HELIUM LEASES**

### **(a) Saskatchewan**

The recoverability of the company's investment in the Saskatchewan property is dependent upon development of a suitable market and the construction of processing facilities. During 1972, the company plans to surrender the majority of its interest in the Saskatchewan helium lease lands. The objective is to reduce the yearly rental expense to an amount necessary to retain the land on which the helium wells are situated and to retain a portion of land necessary for future development of the helium reserves.

### **(b) Arizona**

During the year management reviewed the remaining helium reserves attributable to its 25% net profit interest in certain leases in Arizona and wrote down the book value as described in Note 2.

## **5. LOANS FROM SHAREHOLDERS**

The company has issued unsecured convertible debentures totalling \$330,000 for these unsecured demand loans by certain shareholders. These shareholders have agreed to accept the convertible debentures in lieu of indebtedness of \$315,000 in principal and \$17,292 in accumulated interest. This exchange has been given effect to in the December 31, 1971 financial statements.

The above convertible debentures are dated January 31, 1972 and mature January 31, 1975 bearing interest at 7% per annum. They are convertible at the option of the holders any time prior to January 31, 1975 at the rate of 200 shares of the company for each \$100 principal amount of the debentures. They are



convertible at the option of the company at maturity on January 31, 1975 at the rate of 300 shares of the company for each \$100 principal amount of the debentures.

## 6. CAPITAL STOCK

Issued capital stock is summarized as follows:

	Shares		Amounts	
	1971	1970	1971	1970
For assets	858,322	858,322	\$10,774,192	\$10,774,192
For Cash	126,403	126,403	1,578,668	1,578,668
Conversion of debt	2,056,266	2,056,266	10,377,164	10,377,164
Balance Dec. 31	<u>3,040,991</u>	<u>3,040,991</u>	<u>\$22,730,024</u>	<u>\$22,730,024</u>

## 7. STOCK OPTIONS

After cancelling prior options, on February 23, 1972 the Company granted, subject to approval of the appropriate regulatory bodies, incentive stock options to two directors and senior officers of the Company to purchase an aggregate of 150,000 shares of the Company at 33¢ per share. Subsequent to March 15, 1972 the date of the Company's auditors' report, one of the options for 120,000 shares was cancelled. There is now in effect an option to purchase 30,000 shares of the Company at a price of 33¢ per share held by a senior officer and director of the company. The said option is exercisable on a cumulative basis as to 20% thereof during each calendar year for five (5) years, commencing in 1972, so long as the director and senior officer remains in the employ of the Company. During the thirty (30) day period preceding the granting of such option, the shares of the Company traded between 40¢ and 50¢ per share.

## 8. SALARIES PAID TO DIRECTORS AND SENIOR OFFICERS

The company has eight directors who received no remuneration as such during the year. The company has three officers who are also directors whose aggregate remuneration for the year as officers was \$45,467.

## 9. COMMITMENTS AND SUBSEQUENT EVENTS

### (a) Agreements with Azufres Nacionales Mexicanos, S.A. de C.V.

Under an agreement with Azufres Nacionales Mexicanos, S.A. de C.V. the company is committed to provide an additional \$168,856 for operating capital upon request from the Board of Administration of that company. It has also been agreed that the company will arrange financing on normal commercial terms for a sulphur extraction plant to be approved by the Board of Administration. The Board of Administration has agreed to defer any additional payments on this commitment during the period the properties are being carried on a maintenance basis.

### (b) Bank loan

Subsequent to December 31, 1971, the company negotiated a bank loan in the amount of \$195,000. The proceeds were paid to retire the bank loan (\$61,810) which was outstanding at December 31, 1971 and to make the final payment required on the acquisition of the shares of Brussilof Resources Limited (Note 3). The company has pledged its shares in Baymag Mines Co. Limited and the proceeds from any future financing as collateral for the bank loan.





